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ORIGIN EB-07

INFO OCT-01 AF-06 ARA-06 EA-07 EUR-12 NEA-10 IO-10 ISO-00

FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00

DODE-00 FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05

OMB-01 PM-04 USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04

TRSE-00 PA-01 PRS-01 /133 R

DRAFTED BY EB/ORF/FSE:DSWILSON:MW
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L/EB - G. ROSEN(DRAFT)
FEA: D. OLIVER(DRAFT)
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FM SECSTATE WASHDC
TO USMISSION OECD PARIS PRIORITY
INFO AMEMBASSY BONN
AMEMBASSY ROME
AMEMBASSY BERN
AMEMBASSY STOCKHOLM
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AMEMBASSY LONDON
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E.O. 11652: GDS

TAGS: ENRG, OECD

SUBJECT: IEA:STANDING GROUP ON OIL MARKET (SOM) MEETING
OCTOBER 14 - 16

1. SUMMARY: FOLLOWING EXTENSIVE DISCUSSION OF ISSUES RELATING O THE AGGREGATION/DISAGGREGATION QUESTION, SOM UPON URGING OF CHAIRMAN HOPPER (CANADA) AGREED TO SUBMIT TO NEXT GB MEETING TEXT OF PROPOSAL FOR AN INTERIM SOLUTION TO THE AGGREGATION/DISAGGREGATION PROBLEM (IEA/SOM(75)33). US PROPOSED AND SOM AGREED TO MODIFICATION IN LANGUAGE TO SPELL OUT NEED FOR SATISFACTORY ASSURANCES ON PROCEDURES TO MAINTAIN CONFIDENTIALITY OF DATA PRIOR TO THE REPORTING OF CRUDE OIL PRICE AND COST DATA. DECISION ON PROCEDURES FOR GOVERNMENT TRANSMITTAL OF DATA (SOM(75) 33 ANNEX II) LEFT TO NEXT SOM MEETING. SECRETARIAT MADE BRIEF PRESENTATION ON PAPER OUTLINING OPTIONS IN ITS ANALYSIS OF GENERAL INFORMATION SYSTEM (GIS) DATA (SOM(75)38) FOR WHICH DELEGATION COMMENTS REQUESTED. DISCUSSION BEGUN ON SWEDISH PAPER CONCERNING COLLECTION OF DATA ON CAPITAL INVESTMENTS, CORPORATE AND FINANCIAL STRUCTURE (SOM(75)37). SOM AGREED TO SET UP WORKING PARTY CHAIRED BY SWEDEN TO FURTHER DISCUSS THE QUESTION, AFTER WHICH WP WOULD CONSULT WITH IWP. COUNTRY COMMENTS

ON SWEDISH PAPER DUE BY NOVEMBER 7. DISCUSSION OF PROCEDURES FOR REPORTING CRUDE AND PRODUCT PRICE DATA IN AN EMERGENCY (SOM(75)32) DEFERRED TO NEXT SOM MEETING TO PERMIT CONSULTATION IN CAPITALS WITH SEQ DELEGATES. CONSULTATIONS OCTOBER 14 WITH BP (BP EXPERIENCE IN IRAN) AND OCTOBER 15 WITH MOBIL (INTERMEDIATE TERM OUTLOOK; TERMS OF ARRANGEMENTS FOR ACCESS TO IPC CRUDES -- IRAQ, QATAR, ABU DHABI) WERE WELL RECEIVED BY DELEGATES. END SUMMARY.

2. AGGREGATION/DISAGGREGATION AND INDIVIDUAL COMPANY DATA: US CRITICIZED BY UK FOR NON-REPORTING OF CRUDE STREAM LIMITED OFFICIAL USE

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DATA WHERE LESS THAN 3 US COMPANIES INVOLVED. UK NOTED IT WOULD GO NO FURTHER THAN OTHER COUNTRIES IN REPORTING DATA. US RESPONDED THAT SOM IS WELL AWARE OF THE PROCEDURAL AND LERAL RESTRAINTS IN US WHICH AFFECT INDIVIDUAL COMPANY REPORTING, BUT THAT ONCE THERE EXISTED AN EFFECTIVE IEA SECURITY SYSTEM IT MIGHT BE POSSIBLE FOR US TO REPORT DATA INVO LIVING TWO COMPANIES. WITH RESPECT TO CRUDE

STREAMS FOR WHICH ONLY ONE COMPANY IS REPORTING, HOWEVER, WE CAN DO NO MORE THAN SEEK THE COMPANY'S VOLUNTARY AGREEMENT TO SUBMIT THE DATA TO THE IEA. NETHERLANDS STATED THAT ITS COMPANIES AGREED TO SUBMIT DATA ON RECIPROCAL BASIS ONLY. ITALY SUGGESTED US LACK OF GOOD WILL IN THE EXERCISE AND QUESTIONED THE VALUE OF A GIS IN WHICH MUCH DATA WOULD BE LACKING. GERMANY COMMENTED THAT RECIPROCITY PRINCIPLE IS ESSENTIAL TO A SUCCESSFUL GIS. US PROPOSED THAT LANGUAGE OF DRAFT BE MODIFIED TO SPECIFY THAT SUBMISSION OF DATA SHOULD BE SUBJECT TO SATISFACTORY SECRETARIAT ASSURANCES REGARDING ITS CONFIDENTIALITY, AND SOM CONCURRED. SECRETARIAT NOTED THAT A PAPER ON SECURITY SYSTEM SHOULD BE READY BY END OCTOBER. CHAIRMAN HOPPER THEN URGED THE DRAFT TEXT BE ACCEPTED, THOUGH ADMITTEDLY NOT SATISFACTORY TO ALL, IN INTEREST OF GETTING SYSTEM SET UP. SOM AGREED, ALTHOUGH SEVERAL DELEGATIONS (ITALY, NETHERLANDS) SUGGESTED THEIR REPS WOULD FURTHER DISCUSS AGGREGATION ISSUE AT NEXT GB MEETING.

3. HOPPER NOTED FROM DATA SUBMISSIONS THAT US SHOWED FOUR SINGLE COMPANY CRUDE STREAMS (ARABIAN HEAVY, KUWAIT, IRAQ-BASRAH, ALGERIA). HE QUESTIONED WHETHER SUCH COULD BE THE CASE FOR THE FIRST TWO, FROM WHICH HE WAS CERTAIN THAT MORE THAN ONE COMPANY WAS OBTAINING CRUDE. US DELEGATION AGREED TO CHECK INTO DATA FURTHER. RE. SOM(75)33 ANNEX II (REVISED PROCEDURES FOR REPORTING CRUDE OIL COSTS) SOM AGREED THAT MORE WORK MUST BE DONE. CHAIRMAN HOPPER VOLUNTEERED TO FORMULATE SOME PROPOSALS WHICH WOULD ENSURE SECURE REPORTING FOR DISCUSSION AT NEXT SOM MEETING WHICH COULD HOPEFULLY BE APPROVED FOR PRESENTATION TO NOVEMBER 19 GB MEETING TOGETHER WITH DATA SYSTEM PROPOSALS.

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4. SECRETARIAT ELABORATION OF GIS DATA: BRYANT OF SECRETARIAT DISTRIBUTED AND BRIEFLY DISCUSSED PAPER (SOM(75)38) OUTLINING OPTIONS FOR SECRETARIAT ANALYSIS OF CRUDE AND PRODUCT PRICE DATA AND ITS DIFFUSION TO PARTICIPATING COUNTRIES. BRYANT REQUESTED COMMENTS FROM DELEGATIONS AND NOTED THAT SECRETARIAT HOPED TO HAVE FINAL PAPER READY FOR SOM CONSIDERATION BY NOVEMBER.

5. SWEDISH PAPER ON CAPITAL INVESTMENTS AND CORPORATE AND FINANCIAL STRUCTURE: SWEDES DISTRIBUTED PAPER (SOM(75)37) THEY HAD OFFERED TO PREPARE AT PREVIOUS SOM MEETING. INITIAL COMMENTS OF MOST DELEGATIONS UPON DOCUMENT WERE POSITIVE, THOUGH SOME, INCLUDING US, NON-COMMITTAL. SOM AGREED TO SET UP A WORKING PARTY CHAIRED

BY SWEDEN TO CONSIDER THE QUESTION FURTHER, WITH ANY COMMENTS FROM INTERESTED CAPITALS TO BE SUBMITTED BY NOVEMBER 7. US REQUESTED TO PROVIDE DELEGATE TO WORKING PARTY, WHICH WILL MEET IN PARIS ON NOVEMBER 17. ALL AGREED THAT WP SHOULD CONSULT AT EARLY STAGE WITH THE IWP WHICH HAS CONSIDERABLE EXPERTISE IN THE FIELD. ITALIANS FACORED ENGAGING AT THE OUTSET AN OUTSIDE CONSULTANT TO ADVISE WP, BUT MAJORITY OF SOM PREFERRED DEFERRING ANY SUCH DECISION UNTIL SUCH TIME AS IT MIGHT PROVE NECESSARY.

6. PROCEDURES FOR REPORTING PRICE DATA IN AN EMERGENCY: CHAIRMAN HOPPER REPORTED THAT SEQ CHAIRMAN VAN RIJN WANTS AGENCY TO MOVE TO MONTHLY REPORTING SYSTEM IN AN EMERGENCY AND TO PLACE RESPONSIBILITY ON COMPANIES TO REPORT AND JUSTIFY ANY CHANGES IN PRICING PRACTICES DURING THE EMERGENCY. BRIEF DISCUSSION WAS INCONCLUSIVE APART FROM GENERAL AGREEMENT ON NEED TO COORDINATE IN CAPITALS WITH SEQ DELEGATIONS AND INVITE SEQ SECRETARIAT TO BE PRESENT WHEN DISCUSSION RESUMED AT NEXT SOM MEETING.

7. COMPANY CONSULTATIONS: OCTOBER 14 BP AND OCTOBER 15 MOBIL CONSULTATIONS FAVORABLY RECEIVED BY SOM DELEGATES. BP CONSULTATION COVERED BP'S EXPERIENCE IN IRAN WHEREAS THAT OF MOBIL INCLUDED INTERMEDIATE TERM (THROUGH 1978) SUPPLY/DEMAND OUTLOOK AND TERMS OF ARRANGEMENT FOR MOBIL LIMITED OFFICIAL USE

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ACCESS TO IPC CRUDES IN IRAQ, QATAR AND ABU DHABI. FOLLOWING MOBIL PRESENTATION CHAIRMAN HOPPER INVITED SUGGESTIONS FOR FUTURE COMPANIES TO BE INVITED, OFFERING HIS VIEWS THAT EITHER SHELL OR GULF AMONG THE INTERNATIONALS AND ENI OR PETROFINA AMONG NATIONAL COMPANIES WOULD BE INTERESTING. DUTCH NOTED THAT SHELL WAS PREPARED TO CONSULT BUT THOUGHT A NATIONAL COMPANY SHOULD BE INVITED FIRST. BELGIANS OFFERED TO INQUIRE WITH PETROFINA

AND INFORM CHAIRMAN HOPPER. ITALIANS STATED THAT ENI AGREES IN PRINCIPLE TO COME BUT IS UNABLE AT PRESENT DUE TO RECENT CHANGES IN TOP MANAGEMENT. DELEGATES AGREED TO CONSIDER THE MATTER FURTHER IN NOVEMBER.

8. NEXT MEETING OF SOM SCHEDULED FOR NOVEMBER 18. INGERSOLL

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